

Executive Summary: ORA Testimony on SDG&E and SoCalGas' Pipeline Safety Implementation Costs

I. INTRODUCTION

This exhibit presents the analyses and recommendations of the Office of Ratepayer Advocates (ORA) regarding SoCalGas and San Diego Gas & Electric's (SDG&E), hereafter also called "Applicants," Application to Recover Costs Recorded in Their Pipeline Safety and Reliability Memorandum Accounts (PSRMA). Specifically, this exhibit addresses:

- Cost Recordkeeping Systems and Practices
- Project Line 2000A
- Project Lines 42-66-1 and 42-66-2
- Playa del Rey (Phases 1 & 2) Storage Field Hydrotesting
- Descoped Project Costs

The Application also requests \$5.3 million for "Miscellaneous Other" costs, broken down in the categories Facilities Build-out (\$2.9 million), Leak Survey (\$1.6 million), Pressure Protection (\$0.3 million), and Other Remediation (\$0.5 million).

II. SUMMARY OF RECOMMENDATIONS

The Applicants have not met their burden to show reasonableness of incurred costs. Cost recordkeeping systems and practices are insufficiently granular or detailed, lack unit costs, and lack the ability to be compared to estimates or similar projects.

ORA cannot find reasonable the costs for hydrotesting and replacement (\$21.32 million and \$5.06 million, respectively¹) of Project Line 2000A. There is also a lack of documentation for significant per-mile cost increases over 100% as project mileage increased by less than 0.25 miles. The Commission should allow recovery of \$13.29 million of costs for Line 2000A.

ORA cannot find reasonable the \$0.91 million² costs for lines 42-66-1 and 42-66-2. There are cost recordkeeping deficiencies regarding the costs of hydrotesting of the Playa del Rey storage field (\$0.68 million³), but finds the actions taken for that project prudent. Recovery of Playa del Rey hydrotesting costs should be allowed.

Unless Applicants can demonstrate that the costs associated with each of the de-scoped projects associated with records searches were on pipelines installed prior to 1961, those costs should be disallowed.

Background information and ORA's analysis of issues are detailed in Exhibit 1 of ORA's Testimony on Reasonableness Review.

¹ Applicants Workpaper "12-12-14 SCG PSEP WP 2000-A_FINAL EDITS.xlsx," "Cost Summary" tab.

² Applicants Workpapers "12-12-14 SCG PSEP WP 42-66-1_FINAL EDITS.xlsx" "Cost Summary" tabs.

³ Applicants Workpaper "12-12-14 SCG PSEP WP Playa del Rey_Phase 12_FINAL EDITS.xlsx," "Cost Summary" tab.